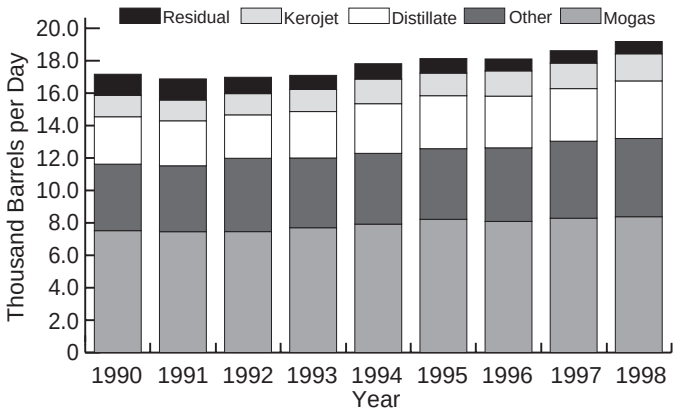
Highlights

Consumer confidence in the economy reached a 29-year high in June as Americans remain optimistic about the strong labor market and low interest rates,[1] despite the first reported slowdown in the nation's manufacturing activity after 22 months of growth.[2] The total demand for refined petroleum products in June 1998[3] (measured as products supplied) averaged 19.2 million barrels per day, the highest level ever for the month (Table & Figure H1). Since January, total demand has averaged 18.4 million barrels per day, which is the highest level for the half-year mark since 1979. Temperatures across the nation, on average, were 11.5 percent cooler than normal and nearly 21 percent cooler than this time last year.[4]

Figure H1. Total Demand, 1990-Current, Comparison in June for Products

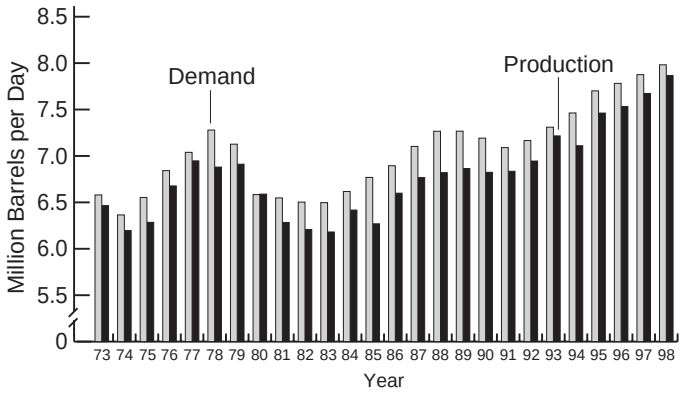


Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Second quarter and June 1998 highlights include:

- **Demand** for finished motor gasoline averaged 8.4 million barrels per day, up just over 1 percent compared to last June. Finished motor gasoline **production** averaged 8.3 million barrels per day, a June record. So far in 1998, both demand and production are at record levels, 8.0 million barrels per day and 7.9 million barrels per day, respectively. **Exports** of finished motor gasoline set a June record high, averaging 101 thousand barrels per day.
- Distillate fuel oil **demand** during June averaged 3.6 million barrels per day, a record high for the month. June's **production** average for distillate fuel oil reached not only a June record high, but **one of the highest levels ever** at 3.6 million barrels per day. The year-to-date average for distillate fuel oil production is up over 4 percent from the prior high at 3.4 million barrels per day. Distillate **stocks** remained high, totaling 133.1 million barrels. Total distillate stocks were 15 million barrels higher than last year and the highest level for June since 1981.
- **Production** of residual fuel oil reached its highest level for the month since 1994 at 747 thousand barrels per day. Year-to-date production of residual fuel oil is also up at 768 thousand barrels per day. **Stocks** of residual fuel oil ended the month at 40.1 million barrels, nearly 1 million barrels higher than last year.
- **Demand** for kerosene-type jet fuel averaged 1.7 million barrels per day, **a June record and the second highest level ever**. So far this year, demand for kerosene-type jet fuel has averaged 1.6 million barrels per day, a record for the first half of the year.
- **Propane stocks now stand at their highest June month-end level since 1982, 61.7 million barrels**.
- **Production** of crude oil in the U.S. continues to decline. Domestic crude oil production averaged 6.3 million barrels per day and field production of Alaskan crude oil averaged only 1.1 million barrels per day. June crude oil **imports** topped 8.9 million barrels per day, a record high for the month and slightly less than the all time record set in May. During the first half of 1998, crude oil imports averaged 8.4 million barrels per day, a new record. **Stocks** of crude oil, excluding the Strategic Petroleum Reserves (SPR) totaled 341.2 million barrels, substantially higher than this time last year.

Figure H2. Finished Motor Gasoline, Year-to-Date June Comparisons, 1973-1998



Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Motor Gasoline

Demand for finished motor gasoline in June averaged 8.4 million barrels per day, not only **a record for this time of year but the second highest level ever**. During the last six months, demand for finished motor gasoline has averaged 8.0 million barrels per day, a record high for this time of year (Figure H2). Several factors can explain this increase in demand, low retail prices for gasoline, the popularity of light trucks and sport utility vehicles, and increased disposable incomes. Conventional motor gasoline

[1] "Consumer Confidence at 29-Year High", *AP*, June 30, 1998, accessible via the Internet at http://dailynews.yahoo.com/.
[2] "Manufacturing Activity Slows", *AP*, July 1, 1998, accessible via the Internet at http://dailynews.yahoo.com/.
[3] June 1998 data are monthly-from-weekly estimates based on the Energy Information Administration's Weekly Petroleum Supply Reporting System.
[4] "Cooling Degree Day Data Monthly Summary, Monthly Data for June 1998", *National Oceanic and Atmospheric Administration*, accessible via the Internet at http://nic.fb4.noaa.gov.

Table H1. Petroleum Supply Summary

(Million Barrels per Day, Except Where Noted)

Category	1998			1997	January - June	
	Estimated June	May	Difference[a]	June	1998	1997
Products Supplied	19.2	17.9	1.3	18.6	18.4	18.4
Finished Motor Gasoline	8.4	8.1	0.3	8.3	8.0	7.9
Distillate Fuel Oil	3.6	3.2	0.3	3.2	3.5	3.5
Residual Fuel Oil	0.8	0.7	(s)	0.8	0.8	0.8
Jet Fuel	1.7	1.5	0.2	1.6	1.6	1.6
Other Petroleum Products[b]	4.8	4.4	0.4	4.7	4.6	4.7
Crude Oil Inputs	15.4	15.1	0.3	15.2	14.7	14.3
Operating Utilization Rate (%)	99.0	98.0	1.0	99.0	96.1	94.4
Imports	10.9	10.9	-0.1	10.7	10.2	10.1
Crude Oil	8.9	9.0	(s)	8.8	8.4	8.0
Strategic Petroleum Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Other	8.9	9.0	(s)	8.8	8.4	8.0
Products	1.9	1.9	(s)	2.0	1.8	2.1
Finished Motor Gasoline	0.3	0.3	(s)	0.4	0.3	0.3
Distillate Fuel Oil	0.2	0.2	(s)	0.2	0.2	0.2
Residual Fuel Oil	0.2	0.1	(s)	0.2	0.2	0.2
Jet Fuel	0.1	0.1	(s)	0.1	0.1	0.1
Other Petroleum Products[c]	1.2	1.2	(s)	1.1	1.1	1.2
Exports	0.9	1.0	-0.1	1.0	1.0	1.0
Crude Oil	0.1	0.1	(s)	0.1	0.2	0.1
Products	0.8	0.9	(s)	0.9	0.8	0.8
Total Net Imports	9.9	9.9	(s)	9.8	9.2	9.2
Stock Change[d]	0.2	1.3	-1.1	0.5	0.5	0.4
Crude Oil	-0.2	(s)	-0.2	-0.2	0.2	0.2
Products	0.4	1.2	-0.9	0.7	0.3	0.2
Total Stocks (million barrels)	1,638	1,654	-16	1,575	--	--
Crude Oil	905	916	-11	884	--	--
Strategic Petroleum Reserve	563	563	0	563	--	--
Other	341	353	-11	320	--	--
Products	733	738	-5	691	--	--
Finished Motor Gasoline	172	175	-2	164	--	--
Distillate Fuel Oil	133	137	-4	118	--	--
Residual Fuel Oil	40	39	2	39	--	--
Jet Fuel	42	43	-1	43	--	--
Other Petroleum Products[c]	346	345	1	327	--	--

[a] Difference is equal to volume for current month minus volume for previous month.

[b] Includes crude oil product supplied, natural gas liquids, liquefied refinery gases (LRG's), other liquids, and all finished petroleum products except finished motor gasoline, distillate fuel oil, residual fuel oil, and jet fuel.

[c] Includes natural gas liquids, liquefied refinery gases (LRG's), other liquids, and all finished petroleum products except motor gasoline, jet fuel, distillate fuel oil, and residual fuel oil.

[d] A negative number indicates a decrease in stocks and a positive number indicates an increase.

(s) = Less than 0.05 million barrels per day, or less than 0.05 percent, or less than 0.5 million barrels.

Note: Totals may not equal sum of components due to independent rounding.

Source: Energy Information Administration (EIA), 1996, *Petroleum Supply Annual*, Volume II; appropriate issues of the *Petroleum Supply Monthly* and the *Weekly Petroleum Status Report*.

Data for the current month are preliminary estimates, based on weekly submissions. For an explanation of estimation methodology and accuracy, see Appendix A of *Weekly Petroleum Status Report* and the article, "Accuracy of Petroleum Supply Data", published in the December 1997*, Petroleum Supply Monthly.*

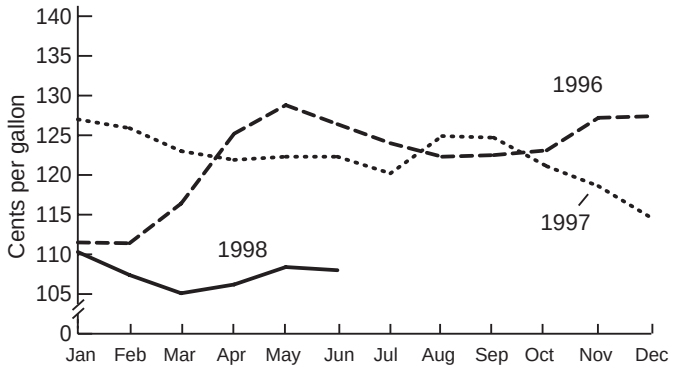
Table H2. U.S. Refinery Inputs, Capacities and Utilization Rates: 1997-1998
(Thousand Barrels per Day, Except Where Noted)

Item	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
1997												
Gross Refinery Inputs	13,771	13,601	14,156	14,465	15,232	15,300	15,190	15,465	15,533	15,127	14,939	15,188
Operating Refinery Capacity[2]	15,168	15,205	15,233	15,229	15,449	15,461	15,462	15,452	15,464	15,464	15,452	15,424
Idle Capacity[3]	**284**	**247**	**399**	**387**	**167**	**177**	**177**	**189**	**139**	**139**	**150**	**204**
Idle Three Months or Less	197	160	220	180	0	10	10	22	12	12	12	66
Idle More than Three Months	87	87	179	207	167	167	167	167	127	127	139	139
Operable Refinery Capacity	15,452	15,452	15,632	15,616	15,616	15,638	15,639	15,641	15,602	15,602	15,602	15,628
Utilization Rate (percent)												
Operating Capacity	90.8	89.5	92.9	95.0	98.6	99.0	98.2	100.1	100.4	97.8	96.7	98.5
Operable Capacity	89.1	88.0	90.6	92.6	97.5	97.8	97.1	98.9	99.6	97.0	95.7	97.2
1998												
Gross Refinery Inputs	14,655	14,340	14,851	15,170	15,305							
Operating Refinery Capacity[2]	15,538	15,555	15,547	15,587	15,617							
Idle Capacity[3]	**167**	**158**	**184**	**144**	**144**							
Idle Three Months or Less	41	20	46	0	0							
Idle More than Three Months	127	138	138	144	144							
Operable Refinery Capacity	15,705	15,713	15,732	15,732	15,761							
Utilization Rate (percent)												
Operating Capacity	94.3	92.2	95.5	97.3	98.0							
Operable Capacity	93.3	91.3	94.4	96.4	97.1							

[1]Capacities are on a calendar day basis.
[2]Operating capacity equals the operable capacity less the total idle capacity.
[3] Idle capacity is the component of operable capacity that is not in operation and not under active repair, but is capable of being placed in operation within 30 days; and capacity not in operation but is under active repair that can be completed within 90 days.
Note: Totals may not equal sum of components due to independent rounding.
Sources: Energy Information Administration (EIA), 1997, *Petroleum Supply Annual*, Volume 2, Table 16; EIA, *Petroleum Supply Monthly,* 1998 data issue, Table 28.

prices in June were relatively unchanged from May. At an average of 108 cents a gallon (including taxes) this figure is over 13 percent below last year's price (Figure H3).[5] The latest figures on June's auto sales reflect the popularity of less fuel efficient vehicles. Truck sales had the largest increase compared to last year.[6] During June **production** of finished motor gasoline averaged 8.3 million barrels per day and 7.9 million barrels per day for the first half of the year, both records for their respective periods. Finished motor gasoline **imports** were in the lower range for this time of year at 297 thousand barrels per day. **Exports** of finished motor gasoline averaged 101 thousand barrels per day, a record high for the month. For the year, imports have averaged 288 thousand barrels per day compared to 344 thousand barrels per day by this time last year. Finished motor gasoline exports have been averaging 109 thousand barrels per day this year, a record pace. By the end of June, **stocks** of finished motor gasoline totaled 172.4 million barrels, up nearly 9 million barrels compared to last year. Additionally, stocks of blending components totaled 47 thousand barrels by the end of the month.

Figure H3. Prices for Conventional Motor Gasoline (including taxes), 1996-current



Source: Energy Information Administration, *Weekly Petroleum Status Report,* DOE/EIA-0208 (various issues).

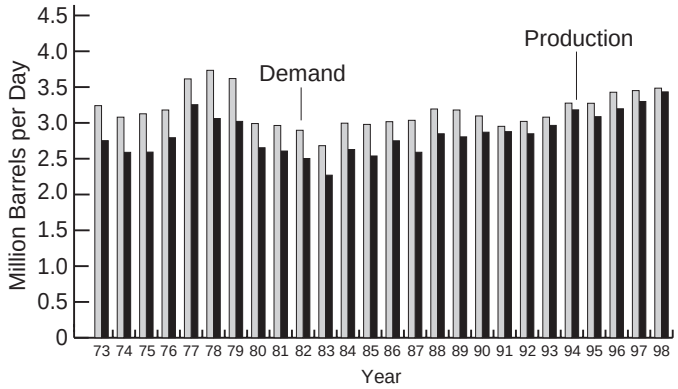
Distillate Fuel Oil

Increases in the transportation sector, notably rail activity which was up not only for the week but also for the year,[7] have lent

[5]"Table 16. U.S. Retail Motor Gasoline and On-Highway Diesel Fuel Prices, 1997 to Present", *Weekly Petroleum Status Report*, June 26, 1998, p. 27.
[6]"Auto sales in U.S. Up 6.4 pct June 1-20 –CNW", *Reuters*, June 23, 1998, accessible via the Internet at http://biz.yahoo.com/.
[7]"Rail Freight Traffic On Record Pace", *Association of American Railroads*, July 9, 1998, accessible via the Internet at http://www.aar.org.

strength for the demand of distillate fuel oil throughout the year. Distillate fuel oil **demand** averaged 3.6 million barrels per day in June, a new record for the month. The demand for distillates, January through June, averaged 3.5 million barrels per day, the highest level for this time period since 1979 (Figure H4). As the summer weather moved in along the Gulf Coast, demand from utilities for distillate fuel oil increased as it became more economical to use in some power plants than natural gas.[8] This June, distillate fuel oil **production** reached a new high for the month and one of the highest levels ever at an average of 3.6 million barrels per day. Distillate fuel oil production continues to soar as U.S. refineries continue to make motor gasoline at record levels thereby producing excess supplies of other light fuel oils.[9] Production over the last six months has averaged 3.4 million barrels per day, also a record to comparable periods. Distillate fuel oil **exports** reached their highest June level in six years, averaging 186 thousand barrels per day. While exports were high, **imports** were similar to last year's level at an average of 189 thousand barrels per day. Distillate fuel oil **stocks** ended the month at 133.1 million barrels. Of that, 67.4 million were low-sulfur stocks, typically used as fuel for on-highway use.

Figure H4. Distillate, Year-to-Date June Comparisons, 1973-1998

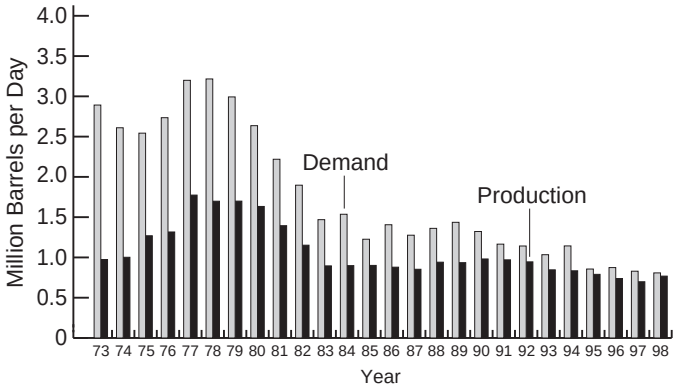


Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Residual Fuel Oil

Demand for residual fuel oil in June averaged 757 thousand barrels per day, a slight decline from a year ago. For the first half of the year, residual fuel oil demand has averaged 808 thousand barrels per day, a slight decline from 1997's level (Figure H5). **Production** of residual fuel oil averaged 747 thousand barrels per day in June and 768 thousand barrels per day so far this year. Both represent increases over the last few years. Residual fuel oil **imports** were in the upper range for the month at an average of 189 thousand barrels per day and at an average of 190 thousand barrels per day since January. **Exports** of residual fuel oil averaged 121 thousand barrels per day, which is within the normal range for this time of year. Year-to-date exports averaged 151 thousand barrels per day, the highest level for the first six months since 1995. Exports of residual fuel have been up this year due to Mexico and Venezuela. Venezuela has been buying up residual fuel oil to support their residual prices[10] while Mexico has needed the fuel to supplement the loss of hydro power. **Stocks** of residual fuel oil ended the month at 40.1 million barrels, the highest level to end the month in five years.

Figure H5. Residual, Year-to-Date June Comparisons, 1973-1998

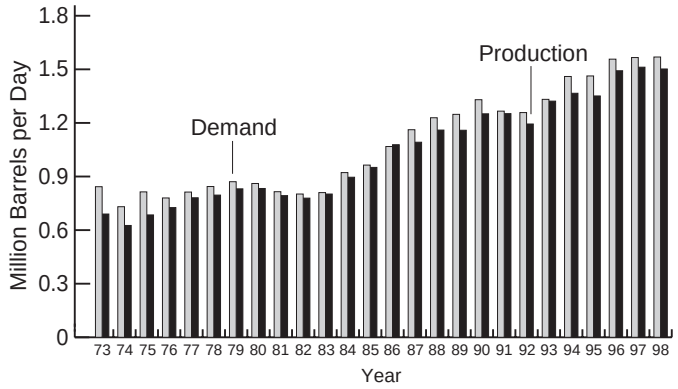


Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Kerosene-Type Jet Fuel

Demand for kerosene-type jet fuel jumped to an average of 1.7 million barrels per day, setting a new record for June. This month's high exceeded the prior June high by 100 thousand barrels per day and was the second highest level for any month. The latest figures from several of the airlines show healthy demand in June, as well as, for the year.[11] So far in 1998, kerosene-type jet fuel

Figure H6. Kerojet, Year-to-Date June Comparisons, 1973-1998



Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

[8]"U.S. Gulf Coast Oil Products: Gasoline Rises on Power Outage", *Bloomberg Oil Buyer's Guide*, June 26, 1998, accessible via the Internet at http://www.bloomberg.com/welcome.html.

[9]"Light Products Wilting Despite US Economic Boom", *Oil Market Intelligence*, June 1998, p. 8 & 9.

[10]"Strong Gasoline, Resid Boost Refining Margins", *The Oil Daily*, July 13, 1998, p. 5.

[11]"Alaska Air Group Reports June Traffic", "US Airways Sets All-Time High Company Load Factor", "United Airlines' June Traffic Increases 3.6% Second quarter and full-year fully distributed earnings per share expected to exceed consensus estimate", *Transport News Articles*, July 7 & 8, accessible via the Internet at http://www.transportnews.com.

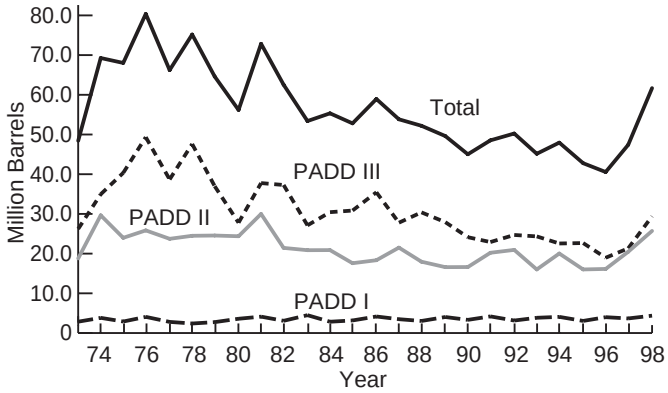
demand has averaged 1.6 million barrels per day, a record for the first six months (Figure H6). Just short of the June record established last year, kerosene-type jet fuel **production** averaged 1.6 million barrels per day. **Imports** of jet fuel, kerosene and naphtha-type, averaged only 69 thousand barrels per day and **exports** averaged a healthy 31 thousand barrels per day. **Stocks** of kerosene-type jet fuel totaled 41.6 million barrels by the end of the month, down from last year's level.

Propane

Propane inventories rose 11.4 million barrels in June, ending the month at 61.7 million barrels (Figure H7). The continued record stock build left inventories at their highest level for the month since 1982. Regionally, inventories in both the Gulf Coast and Midwest remained significantly above the normal range for this time of year and along the East Coast inventories were at their upper limit for the month. Along the Gulf Coast, propane stocks ended the month at 29.4 million barrels, a build of 5.0 million barrels. Propane inventories in the Midwest climbed 5.3 million barrels to end the month at 25.7 million barrels. The smallest build was along the East Coast which increased 0.3 million barrels, leaving stocks near the upper limit for the region at 4.4 million barrels.

Continued high levels of gas plant and refinery production, strong imports, and slowing demand for use as a feedstock from the petrochemical industry all contributed to the impressive stock build so far this year. Typically the build season goes from the end of March through the end of September, and, on average, the build has been 33.8 million barrels. So far this year, U.S. inventories have built up at a record 31.8 million barrels, in about half the time as usual.

Figure H7. Propane Stocks Year-to-Year June Comparsions, 1973-1998



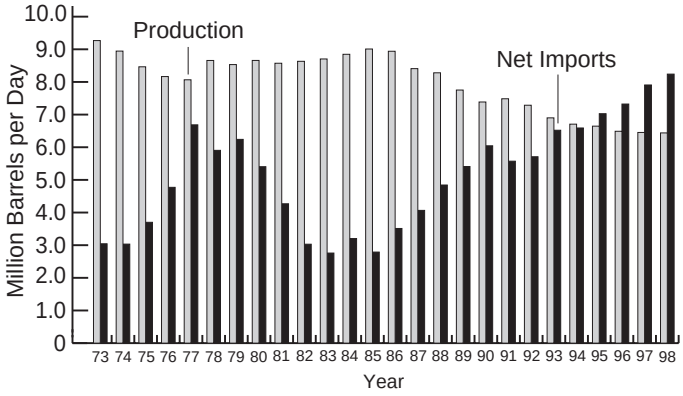
Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Crude Oil

Dropping to an average of 6.3 million barrels per day, domestic crude oil **production** reached the lowest level for the month since 1952. The average for the year hasn't been much higher at 6.4 million barrels per day, which was the lowest for the first six months in 46 years (Figure H8). Field production in Alaska continued its downward trend, averaging only 1.1 million barrels per day and 1.2 million barrels per day for the first half of the year. Crude oil production on the North Slope was hampered by warmer weather moving into the area and by a shutdown on the Alyeska Pipeline to perform pressure tests to look for possible leaks.[12] As U.S. production of crude oil declines, **imports** continue to rise, averaging 8.9 million barrels per day in June. Crude oil imports set a record for the month and were only slightly off from the all time high of May 1998. **Exports** were normal for the month at 104 thousand barrels per day, leaving net imports at a June record of 8.8 million barrels per day. U.S. imports of crude oil over the last six months have averaged 8.4 million barrels per day and net imports of crude oil have averaged 8.2 million barrels per day, both are records for the period.

Crude oil **stocks**, excluding the SPR, totaled 341.2 million barrels by month's end, close to 21 million barrels more than this time last year. With the crude oil markets in contango in June, stockpiling crude oil was economically viable.[13] Total crude oil stocks ended the month at 904.6 million barrels, the highest level to end the month since 1995.

Figure H8. Crude Oil, Year-to-Date June Comparisons, 1973-1998 of Production and Net Imports



Source: Energy Information Administration, *Petroleum Supply Annual*, DOE/EIA-0340 (various issues), and *Petroleum Supply Monthly*, DOE/EIA-0109 (various issues).

Refinery Operations

Crude oil **inputs** during June averaged 15.4 million barrels per day, a record high for the month. As refiners continue to push out motor gasoline, other light products are also produced, swelling inventories and breaking some prior production records.[14] The estimated refinery **operable utilization rate** averaged 97.9 percent verses 97.8 percent a year ago.

[12]"Alaska North Slope's crude and natural liquids output down 5% in May-June", *Platt's Oilgram Price Report*, July 7, 1998, p. 9.
[13]"Marketview–No Physical Lift From Opec", *Petroleum Intelligence Weekly*, June 29, 1998, p. 6.
[14]"Light Products Wilting Despite US Economic Boom", *Oil Market Intelligence*, June 1998, p. 8 & 9.